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The Challenge for U.S. Soybeans

World Cotton Outlook

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Pakistani woman examines cotton in field. Pakistan is one of the countries with a large crop in 1972-73, contributing to a world cotton production record. For an account of the current cotton year and a discussion of the 1973-74 outlook, see story beginning on page 6.

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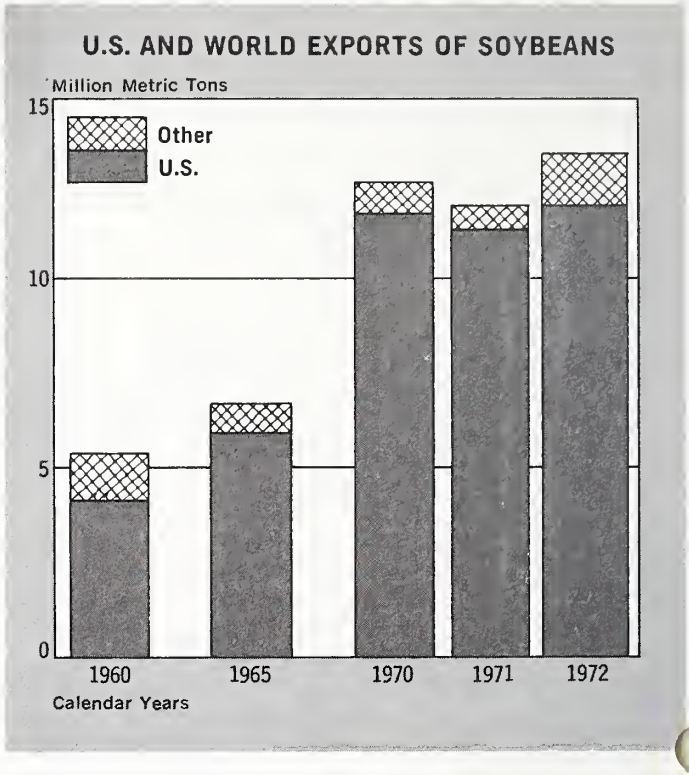

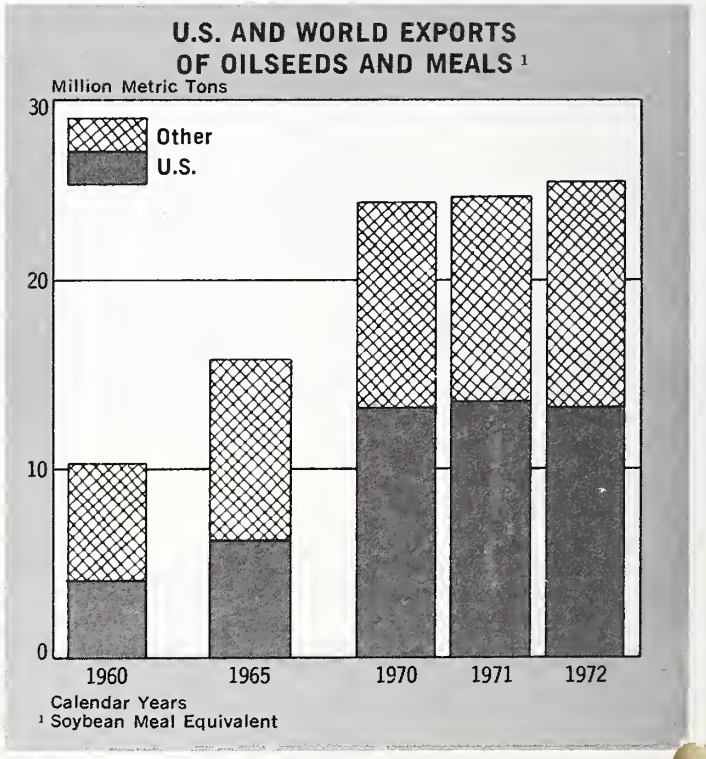

SOYBEANS: U.S. Challenge and Opportunity

World consumption of high-protein meals is on the rise, and so is that of oils, though more slowly. However, competition from palm oils and Brazilian soybeans is increasing.

By Raymond A. Ioanes
Administrator
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The story of soybeans is a story of growth in production and trade—growth tied to rising incomes among most of the world's people. Economies and personal incomes have been expanding, and consumers are buying the meat and other products they once could not afford. The spectacular growth of the soybean industry is based largely on the response of the farmers of the world to that demand.

Today is seeing a turn to an animal agriculture based on mixed feeds—a scientific agriculture which began in earnest in the United States more than two decades ago, and is now spreading throughout much of the world. This is one of the most significant agricultural developments of the century.

It has profound implications for the producers and processors of soybeans in every State where this remarkable crop is grown, and it presents challenges as well as opportunities.

The challenges involve supply, price, competition, and oil surpluses; the opportunities can be almost limitless.

The growth story to date shows a steady increase in production and demand. For about 15 years, the U.S. farm price for soybeans has moved steadily upward, with one major exception. That was the period 1967-69, when Russia demoralized the market by dumping sunflowerseed oil at a rate that reached a peak of nearly 900,000 tons, oil equivalent, in one year.

That situation has changed. Russian exports have dropped to 300,000-400,000 tons a year, and the Soviet Union is not expected to be a heavy oil exporter soon, or for a long time.

During this same period, another competitive threat has retreated—Mainland China. At one time China produced nearly half the world's soybeans, and for years it supplied one-third of world exports of beans and oil.

That, too, has changed. The drastic agricultural upheavals of the "great leap forward" plus a shift toward higher yielding crops have produced an average decline in China's soybean production of almost 5 million bushels a year since 1960. And now Mainland China has become a customer for U.S. soybean oil: 11 million pounds of it, shipped last November.

This season two factors, both bullish, have entered the picture: The Peruvian fishing failure and the Russians' first significant purchase of U.S. soybeans—40 million bushels.

The Peruvian change is likely to be short term, but there is every reason to believe that the Russians will continue in the soybean market. Soviet Minister of Agriculture Matskevich talked to Secretary Butz in Washington and again in Moscow about the USSR's determination to expand livestock production and its need for soybeans to do so—for at least the next 10 years.

The U.S. record over these 15 years of growth is familiar—soybean acreage more than doubling and exports of soybeans and products rising to more than $2 billion last fiscal year.

The world record in production and use of oils and meals is similar, if less spectacular. World consumption of oilseeds and fishmeal has been trending upward by 2 million metric tons a year, which is equal to the meal content of 94 million bushels of soybeans. This breaks down to an expansion of 16 million bushels a year in consumption in the United States and the equivalent of 78 million bushels—almost five times greater—in the rest of the world.

At the same time, world exports have been increasing at an annual rate equal to 62 million bushels of beans, of which the United States has supplied 38 million. This means that U.S. exports have been accounting for almost half the increase in world consumption and more than three-fifths of the increase in world trade in oilseeds and fishmeals. Most trade growth by other exporters has come from fishmeal.

The world situation in fats and oils also is one of growth in both usage and trade, but here the United States is in a less favorable position.

World consumption has been increasing at a rate of 930,000 metric tons a year—equivalent to the oil content of 194 million bushels of soybeans. The bulk of the increase in production—fully 70 percent—has been supplied by expansion in foreign output.

World trade in fats and oils has been expanding by 365,000 tons a year—equal to 76 million bushels of beans, of which the U.S. share has been the equivalent of 27 million bushels.

Therefore, American farmers have been supplying about one-third of the growth in world oil trade as contrasted with nearly two-thirds for meal.

The reason is obvious: the soybean is more truly a meal seed than an oil seed. A bushel of soybeans contains approximately 47½ pounds of meal and only 10½ pounds of oil. Further, virtually all the U.S. growth in oil exports has been in the form of beans, while U.S. exports of fats and oils as such, including cottonseed oil, lard, and soy oil, have been slipping.

The increases in foreign oil exports

Based on a speech prepared for the Ohio Soybean Annual Meeting and Clinic, Columbus, Ohio, January 15, 1973.

have come in sunflowerseed, fish, rapeseed, and palm oil. Looking ahead, and given the uncertainty of Peru's current fish outlook, only palm oil appears clearly in a position to continue its uninterrupted expansion.

MUCH FURTHER increase in production and exports of sunflowerseed and rapeseed appears doubtful. In the Soviet Union and Eastern Europe there is so much demand for other crops that there is not a great deal of land they can divert to more sunflowerseed. As for rapeseed, Common Market rapeseed acreages are up to nearly the maximum for crop rotations; and the Canadians seem to have less interest in rapeseed whenever wheat prices rise.

"Today is seeing a turn to an animal agriculture based on mixed feeds—one of the most significant agricultural developments of the century."

The outlook for foreign peanut production also is less than dynamic. India and West Africa are having a difficult time maintaining production, not to mention exports.

With regard to the fish catch, the world production and export expansion of the past decade appears to have tapered off. As a matter of fact, Peru, by far the world's largest fishmeal exporter and an important exporter of fish oil, too, has been able to catch very few fish since last summer.

The big question for the world oilseed industry today is, "When will Peru be catching fish again at a nearly normal rate?" Some experts in this field do not believe that Peru will ever again reach its 1967-71 rate. That was the period when Peru's fishmeal production—almost all of it for export—averaged over 1.9 million metric tons, the equivalent of more than 125 million bushels of soybeans.

This is all admittedly very encouraging to the soybean grower in the United States—and in Brazil, which is coming on strong as a soybean producer. The 1972 crop in Brazil of 125 million bushels was up about 48 million bushels, and Brazil has the potential to continue to expand acreage, particularly if prices continue exceptionally high.

But both U.S. and Brazilian soybean growers face the likelihood of more severe oil competition, and it will come from palm oil. There have been very heavy plantings of oil palms in Malaysia and West Africa, and trees are beginning to bear.

In this situation, it is possible that world palm oil export availability would increase by roughly 200,000 tons a year until 1980. This alone would supply about half the annual growth in world import requirements of fats and oils. Plus the yield from just 40 million bushels more of beans exported per year (by the United States and Brazil), it would just about take care of the growth in the world's oil import requirements.

So, unfortunately, the old problem remains—more oilseeds are being crushed for meal requirements than need to be crushed for oil requirements.

This, of course, is not cause for any long-term optimism on oil prices. And in the short run, in order to make up for the shortfall in the fishmeal output, more oilseeds have to be crushed, and they all yield higher proportions of oil to meal than fish do.

Prices for soybeans and meal have set record highs this season at levels significantly above those that had been anticipated.

It is also clear that the higher than normal prices being experienced for high-protein meals are not caused by an extraordinary increase in world demand. Imports by the eight leading countries—Japan and seven countries in Western Europe—rose by 7 percent through June 1972, and that is normal. In the 3 months that followed, higher prices drastically curtailed import growth. However, they have continued to rise sharply.

This price trend reflects short covering of futures contracts, a delayed U.S. harvest with above-average field losses, and continued disappointing results from fishing tests in Peru. Currency realinements have also contributed to higher prices for U.S. producers.

There has been some drop from the peak, but meal prices are likely to continue to be abnormally high until there are answers to some key questions, among which are—

- What is the size of the 1972 U.S. soybean harvest?
- When will Peru resume full-scale fishing and exports?
- How much more soybeans and meal can Brazil export next year from its 1973 crop?
- How much will importing countries cut back on meal consumption in response to higher prices?

On the U.S. soybean crop, the Department's November estimate of 1972 production was a record 1.351 billion bushels. The January estimate—1.276 billion bushels—though still a record, shows what the atrocious harvest weather has cost.

On Peru, the Department doubts that full-scale fishing will be resumed before March, but it is normally seasonally light until September, so Peruvian exports will continue to lag substantially until October-December.

On Brazil, recent information indicates that planting of the 1973 crop is barely completed, and that the production outlook, although well above 1972, may be significantly below some forecasts. But all in all, Brazilian exports of both soybeans and meal combined should grow substantially through 1973 and beyond.

On the import response to prices, it cannot yet be determined at what level meal prices are likely to settle. With U.S. soybean meal prices in Hamburg last month about 60 percent above the previous year's average, some cutbacks are already occurring in feeding ratios of meal, and it is difficult to see how prices could go much higher without a very sharp curtailment.

"This season two factors, both bullish, have entered the picture: The Peruvian fishing failure and the Russians' first significant purchase of U.S. soybeans."

However, even if Peruvian fishing is resumed in March and Brazil achieves a 20-percent increase in 1973 bean and meal exports as it hopes, meal prices should continue high for most of 1973, although below present lofty levels.

Meal prices could begin to soften during the April-June quarter when Brazil's 1973 crop begins to move into

export, and this price development will be aided somewhat by the usual spring slackening in meal demand.

Exportable supplies of soybeans and meal are expected to increase sharply during July-September, and, given a Peruvian recovery, supplies should be adequate, even though some upturn in the hog cycle would boost meal consumption. However, prices should still be relatively high.

"Over these 15 years of growth . . . U.S. exports have been accounting for almost half the annual increase in world consumption and more than three-fifths of the annual increase in world trade in oilseeds and fishmeal."

Finally, by next October, again assuming full resumption of the Peruvian fishmeal output, this together with the beginning of the 1973-crop marketings of U.S. soybeans should have a substantial impact on meal prices, although prices should remain at favorable levels.

Meanwhile, net exports of other oilseeds and meals—principally peanut, sunflowerseed, cottonseed, rapeseed, and linseed—are not expected to show any substantial change from 1972.

Oil prices are a different story.

Recent prices for European crushed soybean oil, at 10.6 cents per pound, continued 4 percent below the average of the last 12 months and 23 percent below the calendar 1971 average. Although the shortfall in fish oil and lard is expected to keep prices from dipping to the previous low of 7.1 cents in August 1968, some further price decline seems likely, for these reasons:

First, the short supply of meals is stimulating the crush of oilseeds and the production of oil at a rate beyond normal market takeup, thereby increasing stocks of oil.

Second, the boom in palm oil expansion will continue, with a larger export increase in 1973 than in 1972.

Third, lard supplies will begin to recover as U.S. and possibly European hog cycles begin to turn upward this year and next.

And fourth, fish oil supplies, which have been sharply depressed, should move toward normal after Peru resumes full-scale fishing.

All figures confirm that world consumption and trade in high-protein meals are, indeed, going up, and that the same is true of oils, although at a slower rate.

They show a very bright future for U.S. soybeans in terms of an expanding world market, but they also indicate that this market is not a sitting duck. The industry has work to do in the face of rapidly growing palm oil production and of the soybean production potential of Brazil.

This work involves two basic approaches. First, and most important, is that the United States continues to produce enough soybeans to sustain its reputation as a dependable supplier, and at a price that will not produce a cycle of reaction leading its customers to look for substitutes. Incidentally, the chemical industries have never shown as much interest in developing synthetic protein as they are showing today.

The message from the world market seems clear: the world wants more soybeans at a more moderate price than now prevails—recognizing that a moderate price must be one that gives a producer a fair return and encourages him to grow soybeans rather than some other crop, as well as encouraging full use of his production.

The second basic approach to the job ahead is the recognition, more than ever, of the importance of market development in maintaining and expanding outlets for U.S. soybeans.

Farmers have been supporting the cooperative market development program of the Foreign Agricultural Service and soybean producer and processor organizations since the first program was launched in Japan in 1956.

Soybean market development then was more often a case of creating a foreign market than it was of expanding it. Those were the days when soybeans in Japan meant tofu, a bean curd for the family table, and miso, a rice and soybean paste used in making soup.

After more than 15 years of education and servicing work, soybeans still mean tofu and miso in Japan, but they also mean high-efficiency rations for poultry and livestock, and increasingly they mean margarine, and salad and cooking oil.

In 1956, Japan was taking about $52 million in U.S. soybeans. Last fiscal year, these shipments had grown to $357 million and Japan had fully developed livestock and poultry industries that will be using increasing amounts of feedstuffs as consumer demand for livestock products continues to rise.

Similar, although less striking, results have been achieved in other countries. Spain, for example, where olive was once the only oil, now takes 40 million bushels a year of U.S. soybeans for use as oil and meal.

Specialists in meal, oil, and marketing, supported by the American Soybean Association and FAS, are active today around the globe, showing customers and potential customers how best to use U.S. soybean meal and oil.

"Both U.S. and Brazilian soybean growers face the likelihood of more severe oil competition, and it will come from palm oil."

This program has become a million-dollar-plus overseas sales effort shared by FAS and the soybean producers themselves, including farmers in 10 States who have set up their own formal systems for contributing funds.

This growth is a tribute to the wisdom of those farmers who understand that to succeed in a competitive market you have to get out and sell in that market, whether your product is soup or soybeans.

Their willingness to put money and moral support behind these service-selling activities has been important to soybean market expansion, and it will be even more important as competition increases. It not only moves in the right direction, but is the strongest evidence farmers can give of their interest in export markets.

The United States is in a good position. Besides its production advantage, it has on its side the currency realinement—which has made U.S. soybeans cheaper in terms of many foreign currencies—and an increased foreign crushing capacity. Both of these will continue to give foreign customers an added incentive in bidding for U.S.-produced soybeans.

World Cotton Supply Up In 1972-73 And Slated To Rise Further

By H. REITER WEBB, JR.
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The beginning of the 1972-73 cotton season last August found world cotton stocks still low; but, with production for the season well above the record set last year, supplies are up, especially in the United States.

World consumption too is up, particularly in a number of cotton exporting countries, and world cotton exports are estimated at a record level.

For 1973-74, the elements of the supply situation may be reversed: beginning stocks are likely to rise sharply, but a somewhat smaller U.S. crop is forecast, which would pull world cotton production down also. Still, total supplies are likely to increase again, though not so much as in 1972-73.

With world consumption expected to continue its rise, world exports—and those of the United States—should remain high as well, though not quite so high as the current year's level.

Supply. World cotton stocks at the beginning of the 1971-72 season were equivalent to only 4.3 months of consumption. At the beginning of 1972-73 they were larger, but still only a little over 4.5 months' consumption.

These are low figures. World stocks usually represent around 5 to 6 months' consumption, and rather sharp price changes and other reactions normally occur when stocks move out of that range, either upward or downward.

In the United States, usually the largest holder, stocks were the lowest since the Korean War. However, stocks outside the United States rose by over 2 million bales.

Most of this increase took place in foreign non-Communist exporting countries, in India, and in Communist countries. Among the exporting countries, Brazil, Pakistan, and Turkey added substantial quantities to their stocks as a result of large 1971 crops. India added almost 800,000 bales, also because of a very large 1971 crop, while most other non-Communist importing countries showed little change. Communist countries increased their stocks by almost 500,000 bales, largely as a result of another record Soviet crop.

World production this season, however, more than balancing off low world stocks, is at an alltime record level of over 59 million bales, an increase of about 2 million from the previous record set last year. The United States is chiefly responsible for the increase, as total foreign production dropped by over a million bales.

Production this year in Central America, Mexico, and India has dropped considerably, though Colombia and Iran have registered rather large increases, and Pakistan and Turkey appear to have again produced very large crops. Output in most other foreign non-Communist producing countries has changed little. It should also be noted, however, that Turkey and Iran are among a number of countries for which estimates have been reduced, principally because of heavy rains during harvest.

Production in Communist countries during 1972-73 is down about 300,000 bales, as a sharp reduction for the People's Republic of China more than offset a third successive record crop for the Soviet Union.

The record world cotton production has pushed 1972-73 world supplies up more than 3 million bales. Increases came both in the United States and in foreign countries, with the greatest increase occurring here, as the substantially larger 1972 crop more than offset smaller beginning stocks.

Consumption. The world consumption picture is mixed. In the early months of 1972-73, the daily rate of mill consumption in the United States has been running below that of a year ago. However, some improvement is expected later in the season, and it is now estimated that domestic cotton consumption will be down only about 375,000 bales.

Foreign cotton consumption, on the other hand, has increased every year during the past decade, and is expected to set a new record in 1972-73 of almost 49 million bales. Most of the increase has come in non-Communist cotton exporting countries, Asian countries, and Communist countries.

The increase in exporting countries represents a gradual shift from exporting raw cotton to exporting cotton textiles. Asian countries, mostly cotton importers, also export a relatively large proportion of their cotton consumption as textiles.

The consumption increase in Communist countries has resulted mainly from use of the Soviet Union's large crops to provide more textiles to the domestic market. Per capita consumption of textiles is low in the Communist countries. Since cotton is their major textile fiber, there is room for further growth in their cotton consumption if they can produce the quantities needed both for domestic offtake and for exports to earn foreign exchange.

Mill consumption in Western Europe has not increased as in foreign non-Communist exporting countries and in Asia; but when consumption of imported cotton textiles is taken into account, total cotton usage in Western Europe has also increased in recent years. This has largely taken place since the International Institute for Cotton began its program to increase the offtake of cotton in Western Europe and Japan, though other factors undoubtedly were also important.

It is perhaps true that competition from manmade fibers is less intense in Western Europe than in the United States. An exception is Great Britain, where the textile industry is dominated by a few manmade-fiber producers, and where cotton consumption has more nearly followed the U.S. trend.

COTTON: WORLD STOCKS, PRODUCTION, CONSUMPTION, AND EXPORTS; SEASONS 1971-73
[In millions of bales of 480 lb. net weight]

Item	1971-72	1972-73 [1]	1973-74 [2]
Beginning stocks:			
United States	4.3	3.4	5.2
Foreign	15.7	18.0	19.0
World	20.0	21.4	24.2
Production:			
United States [3]	10.4	13.6	12.2
Foreign	46.7	45.6	46.5
World	57.1	59.2	58.7
Consumption:			
United States	8.2	7.8	7.9
Foreign	47.8	48.6	49.8
World	56.0	56.4	57.7
Exports:			
United States	3.4	4.0	3.5
Foreign	14.6	15.6	15.5
World	18.0	19.6	19

[1] Estimate. [2] Forecast. [3] In-season ginnings plus city crop.

In connection with the apparent drop in U.S. cotton consumption, the very high level of cotton prices during the early months of 1972 should be mentioned. Each time cotton prices get out of line on the high side, domestic consumption seems to move downward 9 months to a year later.

Another factor is the intense competition from manmade fibers. The vast sums spent by the manmade fiber industry on research and promotion have enabled it to practically buy its way into a number of former cotton markets. With much smaller budgets, Cotton Incorporated and other organizations working for cotton have not been able to prevent further erosion of cotton's markets; without their work, losses might have been much greater.

Exports. World cotton exports have increased sharply since last season and are estimated at an alltime record of 19.6 million bales for 1972-73; U.S. exports are forecast at 4 million bales, up from 3.4 million last year. Exports of foreign non-Communist countries are expected to increase by about 750,000 bales, and those of Communist countries by a few hundred thousand.

Much of the expected increase in U.S. exports is to Western Europe. This is encouraging, since U.S. cotton has represented an alarmingly low percentage of total imports by Western Europe during recent years. Also expected to rise are U.S. shipments to Japan, while those to other Asian countries and other destinations will probably not change much.

It is interesting to note that the USSR may be shifting its pattern of trade in cotton. Data for 1971 show a sharp increase in Russian exports to Western Europe and Japan, while shipments to other Communist countries dropped. Preliminary information for 1972 indicates that this trend is continuing and that the USSR is likely to continue as a competitor for U.S. cotton in major markets.

The differences between foreign consumption and production in 1972-73 is about 3 million bales. Called the "residual," this provides a rough measure of export demand for U.S. cotton. If U.S. exports in any given period exceed the residual, it means that foreign countries are increasing stocks.

Several factors are helping to push U.S. exports in 1972-73 well above the residual. One is the substantially larger supply of cotton the United States has

Mechanization helps crop in Soviet Union reach third consecutive record.

this year. There is little doubt that the short U.S. supply in 1971-72 cost some export sales.

Also helping U.S. exports is a competitive price. Under present legislation, prices for U.S. cotton are free to seek a fully competitive position. While prices in the United States got out of line last season because the U.S. supply situation was relatively tighter than that of the rest of the world, U.S. cottons have consistently been price leaders for most qualities since international quotations shifted to new-crop delivery.

A third factor is the work of Cotton Council International in Japan, other Far Eastern markets, and Europe.

The energy and competence of U.S. exporters is also playing a large role in their success of this year. Operating in a free market economy and aided by an adequate supply of cotton, competitive prices, a reputation for delivering cotton even when the market goes against them, and other means, they sold 1972-crop cotton early and "stole the market" before some other exporting countries were in a position to sell. The resulting bright outlook for exports this season is a major benefit to U.S. cotton producers.

Outlook for 1973-74. It appears likely that world stocks on August 1, 1973, will be up almost 3 million bales. The increase will take place both in the United States and in foreign countries. Most of the increase in foreign countries is expected to be in net importing countries, especially Japan, while Communist stocks should not change much.

After considering the lower payment base, present market conditions, and expectations of a somewhat lower yield than in 1972-73, the Department estimates a U.S. crop next year of just over 12 million bales—down about 10 percent. Foreign production seems likely to rise about a million bales over the current season's 45.6 million, as Mainland China's crop is expected to rebound from this year's drought-reduced level. Relatively favorable prices at planting time seem likely to hold acreage in foreign non-Communist countries at about the same level as 1972-73, when it increased sharply over the previous year. Following the long-term trend, yields in these countries should increase marginally.

Accordingly, world production seems likely to drop about 500,000 bales.

World cotton consumption should show another healthy increase in 1973-74, practically all in foreign countries. Following the trend of recent years, consumption in Communist countries and foreign non-Communist exporting countries is expected to increase. Consumption in importing countries both in Western Europe and the Far East should also increase.

Under the circumstances just outlined for 1973-74, world exports are likely to remain at a high level but down from the record of the current year. It is not likely that the United States can again export 4 million bales, but perhaps a level of as much as 3.5 million bales can be attained.

If these estimates for 1973-74 turn out to be reasonably accurate, the new season seems likely to be a fairly satisfactory one. The anticipated increase in world stocks will only mean a return to a level equal to about 5.1 months of consumption. Many informed people consider that level still on the low side. However, world production is expected to exceed consumption by about a million bales, to be added to stocks at the end of the season.

Several factors which helped U.S. exports this season should continue in 1973-74, the last crop under the Agricultural Act of 1970; and the hope is that the drop in domestic consumption can be stopped and even turned upward.

It should be noted that recent reports indicate quotations for U.S. cotton in international markets rose above those for other growths late in 1972. However, these quotations are largely nominal and, in any event, most U.S. cotton to be exported in 1972-73 was sold earlier in the season when U.S. prices were fully competitive.

West German Citrus Market Gets Bigger, More Competitive

The large West German market for citrus fruits and juices is an attractive one for U.S. producers, although competition is strong and getting stronger.

Germany's total imports of fresh citrus remained about constant during fiscal 1971-72, as did its imports from the United States. This season, however, based on early estimates of another large crop in all major citrus producing areas—Spain, particularly—large German imports are expected.

Germany's total imports of citrus juices rose about 33 percent in value last year, while imports of U.S. juices declined by 16 percent. But this year, both the total imports and the U.S. portion of these are expected to rise—by 20 and 25 percent, respectively.

Fresh citrus. For lemons, the U.S. share of the German market during the 1971-72 season was 1,348 metric tons, a sharp increase over the preceding season and almost equal to the amount purchased in 1969-70. This jump in lemon sales was mostly the result of late-maturing crops in the Mediterranean area and the limited amounts of high-quality fruit available from other producing countries. For grapefruit, the U.S. share rose slightly, from 1,609 tons to 1,780. For oranges, however, the U.S. share dipped to 638 metric tons, compared with 1,308 the year before.

THE 1971-72 WINTER marketing season for the most important citrus fruits started off with relatively limited supplies and consequent high prices due to unfavorable weather conditions delaying the harvest in Spain and Morocco. Israel, however, was able to start shipments early in the season and capitalize on a favorable market situation; but it was not able to fully fill the import gap that resulted from its competitors' late harvest. Thus, Germany's total orange imports during the November-December period declined by 16,300 metric tons, compared with the same period the previous year.

Because the delayed 1971-72 citrus crop in the Mediterranean area proved to be another very large one—particularly in Spain—shipments increased substantially soon after January 1, 1972. However, falling prices triggered the EC reference price system (designed to prevent prices from falling below a certain point, force the trade to limit supplies, and thus protect the limited production of Italian oranges). When this happened, Mediterranean exporting countries, particularly Spain, exercised marketing restraint, which extended the 1971-72 season.

During January-March, German imports amounted to about 330,000 metric tons, the same as in the comparable period a year earlier. During April-June, they amounted to about 155,400 metric tons, exceeding imports during the same period last year by about 26,200 metric tons. The total for the marketing year, despite the large harvest in supplying countries, was only marginally above that for the year before. This season, Israel again started shipments earlier, hoping to spread the total quantity for export over a longer period and thus avoid triggering the EC reference price system.

AN IMPORTANT ASPECT of the 1971-72 season was the change that occurred in the German marketing system. A strong trend developed away from marketing citrus fruits through auctions and fixed selling and toward a pronounced increase in consignment marketing. The quantities of citrus fruit marketed through auction are already substantially below those now handled on consignment and are expected to decline further in volume and importance.

Consignment agreements are to a large extent negotiated directly between national export marketing boards or large exporters and the important retail chains in Germany. Although the exporter/supplier assumes all logistical and price risks to reach the German market—particularly the risks resulting from the EC reference price system—the exporter/supplier has full control over the quantities to be marketed and thus a better chance to obtain the best price at a given time.

The citrus marketing board of Israel employed this method extensively and apparently quite successfully during 1971-72. As a result, the position of the Israeli citrus industry became appreciably stronger.

The long-term price data reflect the strong competition for the German citrus market and the marked expansion of orange production in the Mediterranean. With inflation and rising costs, growers' profit margins are believed to be declining.

Experts generally predict a further increase in orange production in all important Mediterranean areas, with continuing competitive prices on the important European markets, particularly Germany.

For first-quality grapefruit, on the other hand, there is an unsatisfied demand in Germany and other European markets that is expanding rapidly. Over the past 10 years, grapefruit consumption in Germany has doubled. Consequently, favorable prices are expected in the foreseeable future; and this trend offers one of the brightest spots for U.S. citrus in an otherwise highly competitive market.

Citrus juices. The decline in value in German imports of U.S. citrus juices in 1971 resulted predominantly from reduced shipments of single-strength orange juice without added sugar although imports of grapefruit juice also declined. Meanwhile Germany's total citrus juice imports rose by a third.

This is due to the number of citrus-juice bottling plants recently opened in the Netherlands and France, plus increased bottling within existing plants for German distributors.

In recent years, with rapidly increasing German imports of citrus juices from these two countries (which import their basic ingredients as concentrates from citrus-producing areas around the world), it has become increasingly difficult to determine the origin of the citrus juices. Imports from the Netherlands in 1971 accounted for almost one-fourth of all imports by value and that country, therefore, is the most important single supplier of citrus juices to Germany.

But Brazil is by far the most important citrus producer supplying the German juice market, with a market share of 22 percent by value of total citrus juice imports. Other major suppliers are Israel, Morocco, and Italy.

—Based on a dispatch from

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Danish Dairy Farmers Enter EC With Favorable Prices

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DANISH DAIRY FARMERS should have a favorable transition into the enlarged European Community (EC) with the starting prices negotiated for the Danish dairy industry. The advantageous outcome of the negotiations in Brussels is due to the utilization of the 1971-72 (July-June) year as the base period, when Danish market prices were exceptionally high.

As a result, Danish exports to the United Kingdom will receive a sizable compensatory payment while current levies on sales to the Six will be substantially reduced. The gain in export earnings to Danish farmers during their first year in the EC is expected to help boost producer prices about 10 percent.

The Danish intervention price for butter was set at the equivalent of 82 U.S. cents per pound, compared with 41 U.S. cents per pound in the United Kingdom, and almost 92 U.S. cents for the EC. Skim milk powder intervention price will be the same for all countries, 27 U.S. cents per pound.

With the setting of the intervention prices, a basis was provided for calculating the compensatory amounts to be applied to the trade in Danish dairy products after February 1, 1973. Danish butter sales to the United Kingdom will receive a compensatory payment of about 42 U.S. cents per pound. At the same time, the levy on butter sales to the EC-6 was reduced from the current 67 cents per pound to about 9 cents.

Perhaps of even greater importance is the fact that the levy on cheese exported to the EC-6 has been reduced to about 3 U.S. cents per pound, compared with the previous levies, which ranged from 20 to 33 U.S. cents. Exports to third countries will receive the full EC restitution (varying according to destination) minus the small compensatory amount set for Denmark. However, these compensatory amounts will be reduced in six equal steps to zero by the end of the 5-year transition period, at which time all prices will be the same in the enlarged European Community.

Of the estimated gain in export value for Danish dairy products, butter will account for the most. Denmark exported about 77,500 metric tons of butter in 1971, of which 69,750 went to the United Kingdom. Based on 1971 exports, total butter export gains during the first year are estimated at US$71.2 million. Of this, compensatory payments to the United Kingdom would account for US$64 million; export restitutions to third countries for US$6.5 million; and estimated increased earnings due to reduced EC levies for US$1 million.

Prospects for Danish cheese are also bright. EC membership should substantially improve Denmark's position on cheese exports to the Six, where sales have slipped badly in recent years owing to the high levies.

In 1971, Denmark sold the EC 21,200 metric tons out of its total exports of 70,200 metric tons. The compensatory payment on cheese exports to the United Kingdom will be 14 U.S. cents per pound, and export restitutions to third country markets will be 17 to 22 U.S. cents per pound. Total gains on cheese exports are estimated at US$10.7 million, of which increased earnings on EC exports due to the reduced levy should provide US$11 million; compensatory payments from U.K. sales about US$3.1 million; and restitutions on third country sales US$15.6 million.

The balance of the gains (approximately US$8.9 million) should come mainly from the sales of canned milk, dried milk, and cream. The results could easily be more than US$109.2 million, as sales of cheese to the EC might well exceed the 1971 level, and in a short time, conceivably, reach pre-EC levels.

But along with the export gains for butter and cheese, Danish entry into the enlarged EC is expected to bring with it a number of changes in the methods under which Danish milk producers are paid.

Producers will lose the aid from the various domestic support schemes except for payments under the quality scheme, which will probably be continued in the same form. But despite the loss of these supports, dairy farmers should have a net gain with the additional export earnings.

Retail prices are not expected to change much after EC membership, ex-

(Continued on page 16)

Separating whey and curd in Danish cheese processing plant.

Market Development Projects Boost U.S. Farm Exports To Japanese Market

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JAPAN IS A congested island nation whose growing population and shortage of arable land make necessary large imports of food and fiber to feed and clothe its people. Over 20 percent of its total food supply is imported, while 95 percent of its feedgrains and oilseeds and all of its cotton come from other countries.

The United States is Japan's most important supplier of agricultural products. In fiscal 1972 Japan imported $1.2 billion worth of U.S. farm goods —more than double the amount just 10 years previous. In 1971 the United States was the source of 30 percent of Japan's agricultural imports. Part of the credit for sales of this magnitude must go to product promotion programs sponsored by various U.S. organizations.

The country's rising per capita income and low consumption of animal protein give it a strong potential for additional growth.

Japan's per capita income—$1,860 in 1971—put it in 14th place among the nations of the world, but its daily consumption of animal protein—1 ounce per person—caused it to rank 36th. Japan plans to make major increases in domestic livestock production, but it is generally conceded that the country's animal protein needs can be met only by boosting imports of livestock, livestock products, and other requisites such as animal feeds.

Whether or not the United States can increase its share of the Japanese market depends largely on U.S. ability to continue to supply high-quality farm products at competitive prices. It also hinges on Japan's success in developing other sources of supply. (See *Foreign Agriculture*, June 19, 1972 and July 3, 1972.)

U.S. agricultural promotion programs are generally sponsored by U.S. farm-product trade associations and commercial firms, in conjunction with the U.S. Department of Agriculture's Foreign Agricultural Service (FAS), and their Japanese counterparts. These joint programs, dating back to 1954, have promoted U.S. grains, cotton, poultry meat, fruits and vegetables, soybeans, breeding animals, as well as other products.

April 16-20, 1973, FAS will participate in a trade-only food exhibit in the Tokyo Trade Center to promote, among other products, pasta and instant noodles, salad dressings, cooking oils, a wide variety of processed fruits and vegetables, frozen meats, fresh fruits and vegetables. An exhibit of convenience foods packaged for hotels, restaurants, and institutions is scheduled for April 18-19, as well as a series of point-of-purchase promotions.

However, efforts to increase U.S. agricultural sales to Japan are hampered by a variety of market problems and trade barriers. The food distribution system is cumbersome, specialized, and fragmented. There are high duties on processed foods, beef, and canned fruits and vegetables, ranging from 15 to 25 percent ad valorem. Quantitative restrictions limit the import of an impressive list of farm products and the executive branch of the Japanese Government controls imports of wheat, barley, rice, processed milk products, and tobacco. There are also restrictions limiting the purchase of products containing certain additives used to color, flavor, or improve or preserve appearance. Also in existence are limits on the importation of products subject to plant and animal diseases not native to Japan.

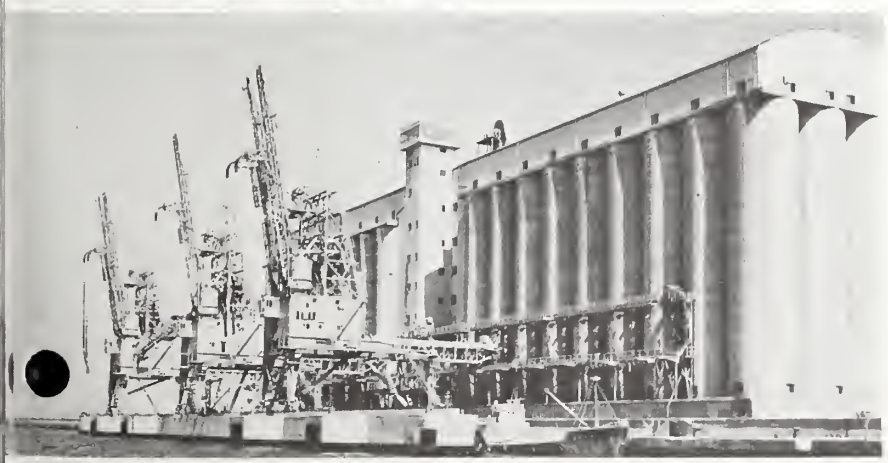
Sales of bulk agricultural commodities in 1971 accounted for 92 percent of the value of U.S. agricultural exports to Japan, a slight decrease from 1970. Soybeans, wheat, corn, sorghum, and cotton accounted for three-fourths of the total value in 1970 and 1971. Consumer-ready grocery-store items made up most of the rest.

Soybeans. Domestic production supplied only 3 percent of the soybeans consumed in Japan in 1971. The United States and the People's Republic of China supplied nearly all the imported soybeans; the U.S. share was over 90 percent (See *Foreign Agriculture*, July 17, 1972). All domestic soybeans and about one-quarter of the imported soybeans are used as food. The remainder of the imported beans is crushed for oil and meal.

The American Soybean Association maintains an office in Japan and cooperates with FAS in soybean, soyfoods, and soy-product promotion programs. Past activities have included: A specialized inspection and testing program to determine U.S. soybean varieties best suited for food use; soybean oil market research; a nutritional education program with demonstrations to teach Japanese housewives how to use U.S. soybeans; cookery contests and programs for home economists, teachers, and consumers; soy oil margarine promotion and educational programs; and technical assistance through trade teams.

Kitchenbus promotions at the consumer level were also carried on, as well as classes to train factory and group-feeding nutritionists; training

Japanese school children, above, are introduced to bread made of flour milled from U.S. wheat. Growth of Japanese livestock industry, left, has resulted in large imports of U.S. corn. American soybeans, below left, waiting to be processed at Japanese feed mill. Grain silos at a Kobe food and feed combine, below right, where U.S. grain shipments are often unloaded.



schools for oil dealers; mass media advertising and public relations programs to promote salad and cooking oil use; feeding trials aimed at expanding the use of soybean meal; and feed industry trade-service activities.

The current ASA program emphasizes promotion of soybean oil in cooperation with the Japan Oilseed Processors Association and with individual firms. Another segment of the program, aimed at introducing or expanding use of quality margarine made from U.S. vegetable oils, is being sponsored in cooperation with the Japan Margarine Association.

IMPORTS OF U.S. soybeans are duty-free and not subject to quantitative restrictions. Exports of U.S. soybeans to Japan in 1972 were 10 percent higher than in the previous year; value rose by 20 percent to $373.2 million.

Wheat. Because Japanese farmers grow a soft wheat with a low gluten content, it is used principally to make noodles and confectioneries. Japan depends on imported hard wheats with a high protein content to supply its expanding baking industry. These account for over 90 percent of the wheat consumed in Japan. The United States, Canada, and Australia supply Japan's imported wheat, and the U.S. share was 53 percent in 1971.

Wheat is traded by the Government and its control over imported wheat stems from quantitative restrictions and its jurisdiction over selling prices. The internal selling price for imported wheat is set well above the import price plus storage.

Wheat Associates, USA, an association representing U.S. wheat producers, maintains an office in Japan and cooperates with FAS and Japanese industry groups and companies in wheat market development projects. Past activities have included: Promoting use of bread and rolls in Government-sponsored school lunch programs; supporting bakers' training schools; sponsoring trade and Government missions to the United States; conducting product improvement seminars; providing technical help to flour mills, bakeries, and noodle manufacturers; and helping the industry introduce and promote new wheat foods such as sandwiches, cake mixes, doughnuts, and pancakes.

Japanese imports of U.S. wheat in fiscal 1972 totaled 2.1 million tons, 27 percent less than in fiscal 1971. However, Japan's fiscal 1973 imports from

the United States should regain the fiscal 1971 level of nearly 3 million tons now that port strikes in the United States and Japan are over. This forecast assumes availability of wheat in the United States and Japan's willingness to increase imports of U.S. wheat and other products in order to help alleviate the existing trade imbalance between Japan and the United States—$3.2 billion in favor of Japan in 1971 (f.o.b. basis).

Feedgrains. Japan's production of corn, oats, and barley (grain sorghums and rye are not produced in Japan) was 592,000 tons in U.S. fiscal year 1972, of which barley was 503,000 tons. Most of the barley grown in Japan is for beer brewing and human food, not feed. Coarse grains consumed as feed, therefore, are almost entirely imported.

Total imports of corn and sorghum in fiscal 1972 were 9 million tons, of which the U.S. share was 40 percent. The United States supplied only a negligible amount of the 1.3 million tons of barley, oats, and rye imported in fiscal 1972.

Corn is one of the products whose production Japan is sponsoring in other Asian countries. The Migsugoro Corporation—a Japanese company growing corn in southern Sumatra for export to Japan—expects to be exporting 500,000 tons of corn to Japan by 1985. Production in the Lampung area has risen from 46,000 tons in 1969 to 130,000 in 1972.

The U.S. Feed Grains Council, through its office in Japan, carries on promotional activities in cooperation with FAS and Japanese groups. These involve: Technical service to feed, livestock, and poultry industries; cooperation in programs to increase consumption of meat, milk, and eggs; dissemination of information through store promotion and consumer education; and various support functions such as gathering and dissemination of market intelligence, as well as consumer and trade relations.

Imports of corn and sorghum for feed are not subject to quantitative restrictions and are duty-free. Indications are that imports of U.S. feedgrains will increase to over 6.6 million tons in fiscal 1973 because Japan's stocks are now low and the Japanese port strike is no longer a deterrant.

Cotton. The Japanese spinning industry is 100 percent dependent on imports for its supplies of cotton, and the U.S. share of these imports was about 22 percent in calendar 1971.

The Cotton Council International and the International Institute for Cotton, in cooperation with FAS and the Japan Spinners Association, have promoted cotton use through market research, public information and educational campaigns, and retail promotion of products containing cotton.

U.S. AGRICULTURAL EXPORTS TO JAPAN, AVERAGE 1965-69, ANNUAL 1970-71
[In millions of dollars]

Commodity	Average 1965-69	1970	1971
Bulk items:			
Soybeans	191.2	305.3	311.2
Wheat	126.2	157.3	151.3
Corn	137.2	233.6	147.3
Cotton	101.8	86.1	123.1
Sorghum	95.1	128.9	74.8
Hides and skins	43.5	53.9	51.5
Tallow	32.5	32.7	30.9
Alfalfa meal	15.6	23.6	21.6
Tobacco, unmanufactured	37.9	61.3	20.7
Essential oils	4.3	5.6	6.8
Oil cake and meal	2.4	8.4	4.4
Seeds for planting	2.6	4.5	4.4
Peanuts	.1	2.9	2.9
Dried peas and lentils	1.8	3.3	2.4
Coffee, cocoa, chocolate	6.1	1.7	2.2
Dried beans	1.3	2.7	1.8
Beverage bases, sirups	1.1	2.2	1.6
Hay, straw, fodder	.7	3.4	1.4
Other bulk items	64.0	35.1	31.1
Total	865.4	1,152.5	991.4
Livestock:			
Baby chicks	2.9	3.9	3.7
Other livestock	1.2	1.1	1.4
Total	4.1	5.0	5.1
Consumer items:			
Lemons, fresh	7.5	13.0	14.8
Pork	7.3	7.7	10.6
Almonds	3.9	6.7	7.8
Raisins	5.5	6.0	6.8
Poultry meat	4.0	3.8	6.1
Grapefruit, fresh	.3	.5	3.2
Dog and cat food	1.0	1.9	2.0
Cream and milk substitutes	0	1.0	1.9
Beef	.2	1.4	1.5
Oranges, fresh	.4	.8	1.4
Onions, fresh	.1	.8	1.2
Peaches, preserved	.9	.3	.8
Other consumer items	9.6	11.1	15.6
Total	40.7	55.0	73.7
Relief shipments	0	1.3	2.8
Total agricultural exports	910.2	1,213.8	1,073.0

Drought Has Not Cut USSR Livestock Totals

Continuing demand for livestock feeds seems indicated by recently published data showing that livestock numbers in the USSR have been maintained despite last summer's drought and reduced grain harvest.

The number of cattle in the USSR at the beginning of 1973 is estimated at 104 million head, up 1.6 million from a year earlier. Hog numbers at the beginning of 1973 were 66.5 million head, down 4.9 million head from the record 71.4 million at the beginning of 1972. The decline in hog numbers was small, however, compared to the 29.1-million-head decline which occurred following the poor Soviet grain crop in 1963.

Sheep and goats at 144.5 million head were down 800,000 from a year earlier.

Maintenance of these livestock numbers seems to indicate the seriousness of Soviet intentions to meet 1975 consumer goals for livestock products.

CROPS AND MARKETS

COTTON

China May Be Planning U.S. Cotton Purchases

As reported in *Foreign Agriculture* on January 1, 1973, the international cotton trade has watched with interest increased purchases of cotton from overseas sources by the People's Republic of China. While no sales of U.S. cotton to China have been confirmed, there are many trade reports that serious private negotiations toward that end are taking place.

Contrary to earlier USDA reports indicating that China's 1972-73 cotton crop was a few hundred thousand bales larger than the previous year's, it now appears likely that its current crop is less than that of 1971-72 because of drought. Since China is a net importer of raw cotton and is not believed to have large stocks to offset the production deficit, imports must be increased if consumption is to be maintained at the present level.

After ranging between 300,000-350,000 bales annually during the period 1967-68 through 1969-70, China's imports jumped to about 670,000 bales in 1971-72. The larger imports came both from traditional suppliers (Pakistan, Syria, Tanzania, Egypt, and Sudan) and some new suppliers (Mexico, Turkey, Iran, Morocco, and others).

Although no U.S. cotton has been exported to China in recent years, the United States had a large share of the Chinese market prior to 1947.

TOBACCO

EC Okays Tobacco Export Subsidies

The European Community approved export subsidies for two varieties of 1971 crop Italian tobaccos, effective January 24, 1973. These export subsidies are in addition to the lucrative buyers' premiums which are paid on all varieties of eligible leaf. This is the first time the EC has granted export subsidies for tobacco.

The export subsidy for burley (type 11a) is UA.18 per kilogram (about 9 U.S. cents per pound). Eligible destinations for this type include the Far East, the Maghreb countries, Egypt, and Eastern Europe, including the USSR.

The export subsidy for Xanti-Yaka (type 15, an oriental variety) is UA.29 per kilogram (about 14 U.S. cents per pound). All countries (excluding enlarged EC members) except Switzerland, Austria, and Lichtenstein, are eligible for the export subsidy on this type.

With the buyer's premium and export subsidy on these varieties, they can be made available on foreign markets at prices substantially below competitive leaf.

After the United States approved its tobacco export payment in 1966—since terminated—the Government of Malawi, on two occasions, requested GATT Article XXII consultations with the United States regarding this subsidy. These two consultations were held and several other tobacco exporting countries participated. Thus far, however, no tobacco exporting country has requested GATT consultations as a result of the recent EC approval of an export subsidy.

Zambia To Triple Flue-Cured Output

The Zambia Tobacco Board recently announced plans to increase flue-cured tobacco production from a current level of about 13 million pounds a year to 40 million within the next three seasons.

Zambia, with soil and climate similar to Rhodesia, has a potential for substantially increasing flue-cured production and exports. Zambia could have stepped up production immediately following the U.N. embargo of the Rhodesian tobacco trade but failed to do so.

During the past 2 or 3 years the Government of Zambia and the Tobacco Board have been active in getting more Zambians to produce flue-cured tobacco. About 2 years ago they negotiated loans from the World Bank and Commonwealth Development Corporation to help finance production of more flue-cured tobacco for export. Under new leadership and with the possibility of further loans, the Zambian Tobacco Board is confident it can increase production of flue-cured leaf to 40 million pounds by 1975.

In the period ahead Zambia expects to obtain duty-free status for its tobacco in the enlarged European Community. If Zambia is able to improve quality and achieve its flue-cured production target with the aid of loans and duty preferences, it can be expected to expand flue-cured exports to the detriment of traditional exporters of this type.

Drought Hits Rhodesia's Tobacco

Reports out of Rhodesia indicate farm production has been hit by a disastrous drought and that many crops have shriveled in the parched earth. The Rhodesian Tobacco Association says present conditions will almost certainly result in a tobacco shortage, and if rains hold off another fortnight, farmers' losses most likely would be doubled.

Rhodesia's tobacco crop represents a major part of the economy and before the United Nations embargo tobacco exports were a major foreign-exchange earner. The national target for the 1973 crop was 66,000 tons but the drought has removed all hopes of coming anywhere near the production levels of 1971 and 1972—65,454 and 72,938 tons, respectively.

In recent years the tobacco crop has been heavily subsidized by the Government which is now preparing to offer financial aid to tobacco growers.

SUGAR AND TROPICAL PRODUCTS

Pakistan To Ration Sugar

Pakistan recently announced plans to procure total output of all domestic sugar mills and to establish rationing. Sugar mills have been required to supply only 80 percent of production to Government ration shops, while the balance was sold at higher prices on the open market.

The Government also boosted retail sugar prices to bring them more closely in line with those on the open market, but the established level is expected to make more sugar available to limited-income consumers.

According to the Government's official estimate, sugarcane acreage in 1971-72 was 1.4 million acres, 13.2 percent less than the 1.6 million acres of the previous season. Sugarcane output was 19.6 million tons, a decrease of 13.8 percent from the 22.8-million-ton outturn of 1970-71. The drop in production was the result of relatively high cotton prices which drew many farmers away from sugar cultivation.

Bulgarian Sugar Industry Restructured To Up Yields

A new plan for development of Bulgaria's sugar industry up to 1990 was adopted in late 1972 by the Council of Ministers. It calls for new production units of 98,840 acres —to be known as industrial-agrarian complexes—to be formed and put under jurisdiction of the State's sugar organization. There will be approximately 170 such complexes, and each will devote one-fourth of its crop land to sugarbeet production. The beets will be refined by mills attached to some of the industrial-agrarian complexes.

The units will also produce meat, milk, fodder yeasts, biostimulators, alcohol, acetic acid, lactic acid, and yeast.

The Bulgarian Council hopes the restructuring plan will result in production of more sugar for domestic consumption. At the present time consumers require about 500,000 metric tons of sugar annually, almost one-half of which is imported, mostly from the USSR and Cuba.

To reduce imports the Government's new plan calls for yields of up to 22 tons per acre by 1990.

FATS, OILS, AND OILSEEDS

Japan To Set Standards For Petroleum Protein

Japan, whose Health and Welfare Ministry announced in mid-December that petroleum protein is safe for animal feeds, may go one step farther soon and set official standards for petroleum protein production. The Ministry of Agriculture and Forestry (MAF) is expected to make the announcement and to run a continuing check on the product's safety.

Two Japanese companies have registered their products for feed purposes with MAF and they are likely to be accepted by the Ministry. Each company plans to manufacture about 60,000 metric tons of petroleum protein annually by the fall of 1973. Two other companies are also prepared to enter the field. Total domestic output by mid-1974 is forecast at 240,000 metric tons with a 55-60 percent protein content. This volume would be equivalent to the protein fraction of roughly 15 million bushels of soybeans.

The Japanese chemical industry estimates that by 1974, 15-24 percent of the protein required for Japanese-produced mixed feeds—much of which is now provided by fishmeal—will be supplied by petroleum byproducts. This volume would displace the protein equivalent of roughly 27 million bushels of soybeans.

Domestic demand for fishmeal in mixed feed now amounts to from 700,000 to 800,000 tons annually. Of all the meals, fishmeal protein is most similar to petroleum protein.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Jan. 31	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	3.17	−2	1.98
USSR SKS-14	(1)	(1)	1.87
Australian FAQ [2]	2.98	−9	1.86
U.S. No. 2 Dark Northern Spring:			
14 percent	3.06	−9	1.94
15 percent	3.07	−10	1.97
U.S. No. 2 Hard Winter:			
13.5 percent	2.94	−1	1.80
No. 3 Hard Amber Durum	3.05	−2	1.82
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	2.17	−6	1.44
Argentine Plate corn	2.40	−1	1.60
U.S. No. 2 sorghum	2.27	−4	1.49
Argentine-Granifero sorghum	2.26	−4	1.52
U.S. No. 3 Feed barley	1.97	−7	1.25
Soybeans:			
U.S. No. 2 Yellow	6.61	+50	3.43
EC import levies: [3]			
Wheat [4]	[5] .88	0	1.63
Corn [6]	[5] .63	0	1.09
Sorghum [6]	[5] .42	−7	1.03

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] The grain levies in the new member countries are reduced by the following amounts through July 31, 1973: Wheat—United Kingdom, $1.31; Denmark, $0.29; Ireland, $0.23. Corn—United Kingdom, $1.02; Ireland, $0.63. Sorghum—United Kingdom, $1.03; Ireland, $0.68. [4] Durum has a separate levy. [5] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [6] Italian levies are 21 cents a bu. lower than those of other EC countries.

Soviet Winter Grains Remain Vulnerable to Freeze Damage

Winter in the Soviet Union, through the first week in January, was unusually mild in most winter grain areas and there was little snow. But by January 12 it had turned cold and 2 days later Soviet papers reported snow over most of these areas. Those having no snow were in the Baltics, Odessa, Nikolayev, southwestern Krasnodar, and eastern Stavropol regions. But much of the snow cover west of the Volga River, where most of the winter grain is grown, was still too thin to give much protection to winter grains.

Temperatures and depth of soil freezing reported for

parts of the Ukraine indicate that some damage could already have occurred, but if so this probably has not been unusually large. The main point is that much of the total winter grain area remains quite vulnerable to more damage.

Grain Exports and Transportation Trends: Week Ending January 19

Weekly export inspections of wheat, feedgrains, and soybeans totaled 1.85 million metric tons for the week ending January 19—a 24-percent gain from the week before and 20 percent above the December weekly average.

Inland transportation reached a very high level during the week. Railcar loadings of grain totaled 36,957 cars, the highest weekly total ever recorded. Barge shipments of grain totaled 599,000 metric tons, up 16 percent from those of the previous week.

GRAIN EXPORT AND TRANSPORTATION TRENDS: WEEK ENDING JANUARY 19

Item	Week ending Jan. 19	Previous week	Weekly average, December	Weekly average, second quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	785	559	572	557
Feedgrains	750	630	637	595
Soybeans	319	308	333	351
Total	1,854	1,497	1,542	1,503
Inland transportation:				
Barge shipments of grain	599	517	429	559
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	36,957	33,162	31,308	30,923

LIVESTOCK AND MEAT PRODUCTS

Denmark Lifts Export Ban On Landrace Breeding Hogs

After 18 years of total prohibition on exports and imports of breeding hogs, Denmark has now begun to export Danish Landrace hogs. The first sale was made to a Japanese firm —8 boars and 44 gilts—for a total value of about $83,000. Deductions for freight, veterinarian services, and other expenses connected with the sale will reduce the payment to breeders to about $40,000.

In order to fully exploit export possibilities and at the same time insure that the best breeding stock remains in the country, an organization called the Sales Export Association (SEA) has been organized. It will have sole export sales rights for all breeding hogs and semen.

Danish authorities have stated that there will be some form of control over the export of Landrace breeding hogs for perhaps 5 years—probably until the European Community transition period ends.

Exports of slaughter and feeder hogs to the enlarged EC will be completely liberalized after July 1, 1973. Danish slaughterhouses are concerned that this free export will eventually lead to reduced slaughter supplies and have asked that export controls be imposed until such time as Danish veterinarian officials permit an equal number of slaughter hogs to be imported. However, Denmark wants to retain its present cholera-free status, which will complicate the unrestricted import plan.

Experts believe that Denmark will be able to export about 10,000 breeding hogs annually. South Africa, Mainland China, Eastern Europe, Spain, France, Italy, Greece, the United Kingdom, Sweden, and West Germany have shown interest in obtaining Danish Landrace hogs.

So far no interest has been expressed by U.S. breeders. One major deterrent is that Denmark is a foot-and-mouth disease country which prevents importations into the U.S.

Peru Now Fattening 31,000 Cattle on Floodland Pasture

A flood in the northern desert area of Peru in March and April 1972 resulted in the burgeoning of 2.5 million acres of pasture on what previously had been unproductive land. To take advantage of this bounty, the Peruvian Government in May allocated $17 million to purchase 76,600 head of cattle to be fattened on the temporary pasture. However, because of a shortage of suitable cattle, Peru was able to buy only 31,000 head. Some 27,000 were to have been imported by December 31, 1972, and an additional 4,000 head were slated for delivery in early January 1973.

Peru had wanted to buy cattle from the United States but insisted that all of its stock purchases come from tick-infested areas. This would have helped to insure the cattle were immune to piroplasmosis. But because the United States is largely tick free, no U.S. purchases were made.

Those countries supplying the 31,000 cattle purchased by Peru were: Argentina, 5,000; Brazil, 12,000; and Central America, 14,000.

Because Peruvian cattle producers expect the northern pastures to deteriorate in time, they are interested in a development program to clear more than 123,000 acres of jungle growth for farming and pastureland.

Peru is a meat deficient country and imported 76,000 head of live cattle for slaughter last year. Imports of both live cattle and beef averaged more than 125,000 head (live equivalent) in 1970 and 1971. Peruvians hope the jungle development program will enable them to cut down on meat imports.

FRUITS, NUTS, AND VEGETABLES

Cold and Dock Slowdown Hamper Israeli Citrus Shipments

Cold weather and a dock slowdown adversely affected Israeli shipments of winter fruits and vegetables in early January.

Export availability of strawberries and celery was reduced by a cold snap of several days duration when the mercury dropped below freezing. The export availability of fresh oranges was reduced by about 15 percent, while that of processed citrus products increased by a proportionate amount.

The work slowdown took place at Israel's two main ports —Haifa and Ashdod. At one time, at least 72 ships were in port awaiting cargoes. The slowdown, which started January 3, ended on the 11th when the Government granted a 42-percent pay increase to dock workers.

During the slowdown, at the peak of the citrus season, all citrus picking was stopped and very little packing was done.

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FOREIGN AGRICULTURE

Danish Dairy Farmers Enter EC *(Continued from page 9)*

cept possibly for skim milk and other tinued in the same form. But despite low-fat products. Loss of the Danish consumer subsidy plus increasing production costs may raise retail prices as much as 20 percent. The intervention price for skim milk powder is 26.6 cents per pound, making liquid skim milk too expensive for feed.

To reduce the cost to the normal feed price level, farmers using skim milk will receive a subsidy of 81 U.S. cents per 100 pounds from the EC's guidance and guarantee fund (FEOGA). Danish farmers normally use about 3.1 billion pounds of skim milk, which would amount to a subsidy payment of US$24.6 million. They also use about 31 million pounds of skim milk powder, for which FEOGA pays a subsidy of almost 9 U.S. cents per pound when used for feeding. This would amount to a total subsidy of $27.2 million for skim milk feeding.

Based on the established intervention prices for butter and skim milk powder set for EC entry, Danish producers will receive about 5 U.S. cents per pound for 4.2 percent milk during the first year of membership. This compares with a price of 4 U.S. cents per pound plus about 1 cent from home market subsidies for a total of 5 cents for the same milk in 1971. However, prices have increased considerably since 1971, and if a more recent base price is used, the increase after EC entry would be slight.

Although producer prices during the first year of membership will not be much above current levels, prospects for more stable milk prices in the future, along with higher beef prices, are expected to be reflected in larger cattle herds. However, owing to the shortage of qualified labor and capital, many experts doubt that there will be much expansion.

The October 1972 census showed an increase in total cattle numbers of around 4 percent over a year earlier, to 2,769,000 head. Dairy cow numbers increased also, by 43,000 head, to 1,151,000.

Further increases in Danish cattle numbers could give rise to more concern about the EC dairy-beef dilemma, since Denmark is expected to continue to produce dual-purpose cattle. This means that milk production will increase in proportion to the increase in cow numbers. However, the Danes maintain that their EC entry will not add much to the so-called "butter mountain," since they are being accompanied into the EC by their b customer, the United Kingdom.

The shift from butter to cheese production is expected to continue, as are the aggressive Danish market development activities in third countries. The EC export restitutions will be a definite boost in aiding Denmark to develop third-country markets.

CORRECTION: Due to a printer's error, the table which appeared on page 4, *Foreign Agriculture,* January 29, 1973, should be as follows:

BRAZIL: SOYBEAN ACREAGE, YIELD AND PRODUCTION, 1960-72

Year	Rio Grande do Sul			Paraná			Total[1]		
	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production
	1,000 acres	*Bu. per acre*	*1,000 metric tons*	*1,000 acres*	*Bu. per acre*	*1,000 metric tons*	*1,000 acres*	*Bu. per acre*	*1,000 metric tons*
1960	394	17.6	188	12.6	21.6	7.4	424	17.8	206
1961	561	16.5	253	15.8	20.9	9.0	595	16.8	272
1962	729	16.2	321	25.9	19.7	13.9	775	16.4	345
1963	786	13.8	295	32.9	20.0	17.9	840	14.1	323
1964	826	12.3	276	41.8	16.3	18.5	889	12.6	305
1965	955	17.8	463	84.8	19.1	44.1	1,067	18.0	523
1966	1,029	17.3	483	134.2	22.7	83.0	1,212	18.0	595
1967	1,213	16.7	551	204.8	20.3	113.3	1,512	17.4	716
1968	1,376	11.5	433	295.5	20.3	163.2	1,784	13.5	654
1969	1,604	17.1	744	426.0	18.6	213.6	2,239	17.3	1,057
1970	2,153	16.7	977	751.7	18.0	368.0	3,259	17.0	1,5
1971	2,843	18.1	1,400	804.8	24.8	543.0	4,033	18.9	2,0
1972	3,732	20.3	2,060	1,284.4	26.6	930.0	5,619	21.8	3,350

[1] Includes all soybean producing areas.